

RESULTS OF MEETING

The State Oil and Gas Board of Alabama held its regular hearing at 10:00 a.m. on Wednesday, June 16, 2010, in the Board Room of the State Oil and Gas Board, Walter B. Jones Hall, University of Alabama Campus, 420 Hackberry Lane, Tuscaloosa, Alabama, and at 10:00 a.m. on Friday, June 18, 2010, at Five Rivers-Alabama's Delta Resource Center, 30945 Five Rivers Blvd., Spanish Fort, Alabama.

1. DOCKET NO. 3-24-09-03

Continued petition by DURANGO OPERATING, LLC, a Mississippi limited liability company, authorized to do business in the State of Alabama, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status for the R. E. Loper et al 12-11 #1, Permit # 2885, located in Section 12, Township 1 North, Range 8 East in Pollard Field, Escambia County, Alabama, for a period of one (1) year:

Said well is temporarily abandoned. Petitioner is requesting the Board to classify said well as temporarily abandoned for a period of one (1) year in accordance with Rule 400-1-4-.17 of the State Oil and Gas Board of Alabama Administrative Code because said well has future utility in Durango Operating, LLC's operations in Pollard Field, Escambia County, Alabama and should not be plugged.

BOARD ACTION: Continued 6-18-10 with the stipulation that the temporarily abandoned status for the well be extended to the August 31 and September 2, 2010, meeting of the Board.

2. DOCKET NO. 7-23-09-06B

Continued amended petition by LAND AND NATURAL RESOURCE DEVELOPMENT, INC., an Alabama corporation, requesting the State Oil and Gas Board to enter an order extending the temporarily abandoned status of the Winters 19-4 #1 Well, Permit No. 4765-A-1, located on a 320-acre drilling unit in the Coal Fire Creek Field consisting of the North Half of Section 19, Township 18 South, Range 14 West, Pickens County, Alabama, for one year, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code because said well has future utility and should not be plugged.

BOARD ACTION: Dismissed 6-18-10.

ORDER NO. 2010-59

3. DOCKET NO. 9-8-09-05A

Continued amended petition by HIGHMOUNT BLACK WARRIOR BASIN LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board, pursuant to Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code, to enter an order extending the temporarily abandoned status for the following wells located in St. Clair County, Alabama, in the Big Canoe Creek Field, for a period of one (1) year:

<u>WELL NAME</u>	<u>PERMIT NO.</u>	<u>LOCATION</u>
Bjornson 32-16-07	14620	S32-T13S-R5E
Sloss, et al 35-13-09	14621	S35-T13S-R4E
West 35-08-05	15268	S35-T13S-R4E.

Petitioner requests that the Board grant a one year extension of the temporarily abandoned status of the referenced wells because said wells have future utility and should not be plugged.

BOARD ACTION: Continued 6-18-10 with the stipulation that the temporarily abandoned status for the wells be extended to the next regularly scheduled meeting of the Board.

4. DOCKET NO. 10-27-09-02

Continued petition by STETSON PETROLEUM CORP., a foreign corporation, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order extending the temporarily abandoned status of the Scott Paper Co. 25-14 No. 1 Well, Permit No. 6303, located on a 160-acre unit consisting of the West Half of the Southeast Quarter and the East Half of the Southwest Quarter of Section 25, Township 4 North, Range 7 East, Conecuh County, Alabama in the Northeast Barnett Field, for one year, in accordance with Rule 400-1-4-.17(1) of the State Oil and Gas Board of Alabama Administrative Code. Said Well has future utility to the operations of Stetson Petroleum Corp. and should not be plugged.

BOARD ACTION: Continued 6-18-10 with the stipulation that the temporarily abandoned status for the well be extended to the next regularly scheduled meeting of the Board.

5. DOCKET NO. 2-9-10-01A

Continued amended petition by COLUMBIA PETROLEUM, LLC, a Mississippi limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order force pooling, with the imposition of a risk compensation fee, all tracts and interests in hydrocarbons produced from the Smackover Formation in a well to be drilled on a proposed 160-acre drilling unit consisting of the South Half of the Southeast Quarter of Section 23, and the North Half of the Northeast Quarter of Section 26, all in Township 4 North, Range 12 East, Conecuh County, Alabama, as a productive extension of the Little Cedar Creek Field.

This petition is filed as a companion petition to the petition bearing Docket No. 2-9-10-02 requesting the approval of a 160-acre drilling unit as a productive extension of the Little Cedar Creek Field.

BOARD ACTION: Continued 6-18-10.

6. DOCKET NO. 2-9-10-02A

Continued amended petition by COLUMBIA PETROLEUM, LLC, a Mississippi limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order approving a 160-acre drilling unit for the proposed Sanders 23-16 Well consisting of the South Half of the Southeast Quarter of Section 23, and the North Half of the Northeast Quarter of Section 26, all in Township 4 North, Range 12 East, Conecuh County, Alabama, as a productive extension of the Little Cedar Creek Field, in accordance with Rule 3(a) of the Special Field Rules for said field.

This petition is filed as a companion petition to the petition bearing Docket No. 2-9-10-01 requesting the force pooling, with the imposition of a risk compensation fee, of all tracts and interests in hydrocarbons produced from the Smackover Formation in the proposed Sanders 23-16 Well.

BOARD ACTION: Continued 6-18-10.

7. DOCKET NO. 3-23-10-02A

Continued amended petition by SPOONER PETROLEUM COMPANY, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an Order amending Rules 2 and 3 of the Special Field Rules for the East Lambeth Church Field, Escambia County, Alabama, to add and define the Pilot Sand Oil Pool for said field and to provide for well spacing for the Pilot Sand Oil Pool.

Petitioner requests that the Pilot Sand Oil Pool in the East Lambeth Church Field be defined as that interval of the Pilot Sand productive of hydrocarbons between the interval of 6432 feet and 6482 feet MD as indicated on the High Definition Induction Log for the Chavers 3-14 No. 1 Well, Permit No. 16042, and all zones in communication therewith and all productive extensions thereof. Said pool constitutes a separate and distinct oil producing pool in said field, separate and distinct from all other producing pools therein.

This Petition is filed as a companion to a Petition under Docket No. 3-23-10-03 requesting that the 40-acre drilling unit for the Chavers 3-14 No. 1 Well, Permit No. 16042, be reformed to a 120-acre production unit or to a smaller production unit in the event that the Board should determine that the maximum area efficiently and economically drained by the subject well is less than 120 acres.

BOARD ACTION: Dismissed 6-18-10.

ORDER NO. 2010-60

8. DOCKET NO. 3-23-10-03A

Continued amended petition by SPOONER PETROLEUM COMPANY, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an Order reforming the 40-acre drilling unit for the Chavers 3-14 No. 1 Well, Permit No. 16042, to a 120-acre production unit pursuant to Section 9-17-12(2)(b) of the Code of Alabama (1975), as amended.

Petitioner requests that the 40-acre drilling unit for said Chavers 3-14 No. 1 Well, Permit No. 16042, consisting of the Southeast Quarter of the Southwest Quarter of Section 3, Township 1 North, Range 8 East, Escambia County, Alabama, be reformed to a 120-acre production unit consisting of the South Half of the Southwest Quarter and the Southwest Quarter of the Southeast Quarter of Section 3, Township 1 North, Range 8 East, Escambia County, Alabama, in the East Lambeth Church Field. In the alternative, if the Board should determine that a smaller production unit should be approved, Petitioner requests that the Board establish a production unit for said well less than the noted 120 acres, but covering the maximum area which would be efficiently and economically drained by the subject Well.

This Petition is filed as a companion to a Petition under Docket No. 3-23-10-02 requesting the Board to amend Rules 2 and 3 of the Special Field Rules of the East Lambeth Church Field to add and define the Pilot Sand Oil Pool for said field and to provide for well spacing for the Pilot Sand Oil Pool.

BOARD ACTION: Dismissed 6-18-10.

ORDER NO. 2010-61

9. DOCKET NO. 3-23-10-13

Continued petition by SKLAR EXPLORATION COMPANY, LLC, a Louisiana limited liability company authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an order amending Rule 1 of the Special Field Rules for the Little Cedar Creek Field to add the following described parcels to the field limits of said field: the Northeast Quarter and the Southeast Quarter of Section 33, Township 5 North, Range 13 East, Conecuh County, Alabama. This petition is filed pursuant to Ala. Code Sections 9-17-1, *et seq.* and Rules 400-1, *et seq.* of the State Oil and Gas Board of Alabama Administrative Code.

BOARD ACTION: Continued 6-18-10.

10. DOCKET NO. 4-28-10-02A

Continued amended petition by SPOONER PETROLEUM COMPANY, INC., a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board of Alabama to enter an Order amending Rules 2 and 3 of the Special Field Rules for the East Lambeth Church Field, Escambia County, Alabama, to add and define the Pilot Sand Oil Pool for said field, to provide for well spacing for the Pilot Sand Oil Pool and to approve a permanent production unit for the Chavers 3-14 No. 1 Well.

Petitioner requests that the Pilot Sand Oil Pool in the East Lambeth Church Field be defined as that interval of the Pilot Sand productive of hydrocarbons between the interval of 6432 feet and 6482 feet MD as indicated on the High Definition Induction Log for the Chavers 3-14 No. 1 Well, Permit No. 16042, and all zones in communication therewith and all productive extensions thereof. Said pool constitutes a separate and distinct oil producing pool in said field, separate and distinct from all other producing pools therein.

Petitioner requests that well spacing of 40 contiguous surface acres be established for the Pilot Sand Oil Pool in East Lambeth Church Field.

Petitioner also requests that the 40-acre drilling unit for the Chavers 3-14 No. 1 Well, Permit No. 16042, consisting of the Southeast Quarter of the Southwest Quarter of Section 3, Township 1 North, Range 8 East, Escambia County, Alabama, be approved as the permanent production unit for said well.

BOARD ACTION: Granted 6-18-10.

ORDER NO. 2010-62

11. DOCKET NO. 6-16-10-01B

Amended petition by EXXON MOBIL CORPORATION, a foreign corporation authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to amend Rules 2 and 3 of the Special Field Rules for the South Pelican Island Field, Mobile County, Alabama, to add the Luce Sand Gas Pool, to be construed to mean those strata of the Luce Sand productive of hydrocarbons in the interval between 4,853 feet measured depth (2,327 feet TVDSS) and 4,987 feet measured depth (2,428 feet TVDSS) in the State Lease 536 #4 Well, Permit No. 11293-OS-68-B, located on a 1,070-acre unit consisting of portions of Tracts 111 and 112, Mobile County, Alabama, as indicated on the GR/ILD Log of said well, and including those strata productive of hydrocarbons which can be correlated therewith. Petitioner further requests the Board to confirm the 1,070-acre production unit established for the Amos Sand Gas Pool in the South Pelican Island Field by Order No. 98-96 as the production unit for the Luce Sand Gas Pool.

BOARD ACTION: Granted 6-18-10.

ORDER NO. 2010-63

12. DOCKET NO. 6-16-10-02

Petition by EXXON MOBIL CORPORATION, a foreign corporation authorized to do and doing business in the State of Alabama, to comply with Order No. 2009-36, issued by the Board on May 7, 2009, approving the commingling, measurement and allocation procedures of a 4-inch fuel gas bi-directional jumper pipeline to the Onshore Treating Facility return fuel line and the Mary Ann Gas Plant return fuel line, all located in Mobile County, Alabama. Said Order 2009-36 directed Petitioner to address this matter within one (1) year from the date of said Order to provide a status report on the measurement and allocation procedures related to use of said 4-inch bi-directional jumper pipeline. During a period from November 3 to November 10, 2009, Petitioner did utilize the referenced jumper line and will present the allocations made as a result of said usage.

BOARD ACTION: Granted 6-18-10.

ORDER NO. 2010-64

13. DOCKET NO. 6-16-10-03A

Amended petition by CROSBYS CREEK OIL & GAS, LLC, a foreign limited liability company, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving the exceptional bottom hole location of the Black Stone 31-9 #1 Well, Permit No. 16188, as an exception to Rule 3(b) of the Special Field Rules for the Gin Creek Field. Said well was drilled on a 160-acre unit consisting of the Southeast Quarter of Section 31, Township 10 North, Range 4 West, Choctaw County, Alabama, in the Gin Creek Field, at a surface location 660 feet from the North line and 825 feet from the East line of the 160-acre unit for said well, but said well unintentionally drifted such that the bottom hole location is 486 feet from the North line and 912 feet from the East line of said 160-acre unit.

Rule 3(b) of the Special Field Rules for the Gin Creek Field requires that wells be located at least 660 feet from every exterior boundary of the drilling unit, but the bottom hole location of the referenced well is only 486 feet from the North line of said 160-acre unit and, as such, is an exception to said Rule 3(b)

BOARD ACTION: Granted 6-18-10.

ORDER NO. 2010-65

14. DOCKET NO. 6-16-10-04

Petition by SAGA PETROLEUM LIMITED LIABILITY COMPANY OF COLORADO, a foreign limited partnership, authorized to do and doing business in the State of Alabama, requesting the State Oil and Gas Board to enter an order approving exceptions to the Special Field Rules pertaining to bottom hole pressure surveys for the Burdine Creek Gas Field, Pickens County, Alabama, for the McShan 2-1-1, Permit No. 15796, located on a 320-acre unit consisting of the East Half of Section 2, Township 19 South, Range 16 West, Pickens County, Alabama. The proposed exceptions would allow annual reservoir pressure surveys to be performed with a calibrated surface gauge.

BOARD ACTION: Granted 6-18-10.

ORDER NO. 2010-66

15. DOCKET NO. 7-23-09-12

Continued MOTION BY THE STATE OIL AND GAS BOARD for Operator Holland Operating Company, Inc., to show cause why the wells located in the Moundville Coal Degasification Field, Hale County, Alabama listed hereinbelow should not be ordered plugged and abandoned in accordance with Rule 400-3-4-.14 of the State Oil and Gas Board of Alabama Administrative Code relating to Plugging and Abandonment of Wells. Further, as a part of this Motion by the Board, the operator shall show cause why equipment, pipelines, and other facilities associated with these wells, including but not limited to natural gas pipelines, compressor stations, "tin" horns, pipeline risers, and water gathering lines should not be removed, cleaned up, or dismantled and all sites restored in accordance with the Board's rules and regulations.

<u>Permit No.</u>	<u>Well Name</u>	<u>Location</u>
14811-C	Tubbs 10-5	Sec. 10, Township 23 North, Range 5 East
14812-C	Stephenson 10-4	Sec. 10, Township 23 North, Range 5 East
14813-C	Tubbs 9-8-1	Sec. 9, Township 23 North, Range 5 East
14814-C	Tubbs 9-1 No. 2	Sec. 9, Township 23 North, Range 5 East
14887-C	Tubbs 9-1 No. 3	Sec. 9, Township 23 North, Range 5 East

The Board may, as a part of this Motion, order that surety holding surety bonds on these wells pay the proceeds of the well bonds to the Board so that the Board's staff may plug and abandon the wells and restore the well sites and dismantle, remove and restore all associated sites.

Further, as a part of this Motion, the Board may order that a portion of the monies in the Alabama Coalbed Methane Gas Plugging Fund be collected by the Board pursuant to Section 9-17-133 et. seq. of the Code of Alabama (1975).

Failure of the operator to comply with the Board's rules, regulations, and orders may result in the Board issuing fines or taking other sanctions against operator, Holland Operating Company, Inc.

BOARD ACTION: Continued 6-18-10 to the August 31 and September 2, 2010, meeting of the Board.

16. DOCKET NO. 12-8-09-09

Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend the State Oil and Gas Board of Alabama Administrative Code to make the Board's regulations consistent with recent amendments to the Alabama Oil and Gas Laws in Act. No. 2008-450 addressing drilling and drainage and production units. Under this Motion, the following regulations of the Board are proposed to be amended:

Onshore Lands Operations—Rule 400-1-1-.01, Applicability; Rule 400-1-1-.05, Definitions; 400-1-2-.01, Well Permit; Rule 400-1-2-.02, Spacing of Wells; Rule 400-1-5-.09, Permissible Tolerance in Production Volumes Allowed for Oil Wells; Rule 400-1-5-.10, Permissible Tolerance in Production Volumes Allowed for Gas Wells.

Submerged Offshore Lands Operations—Rule 400-2-1-.01, Applicability; Rule 400-2-1-.05, Definitions; Rule 400-2-2-.01, Well Permit; Rule 400-2-2-.02, Spacing of Wells; Rule 400-2-5-.09, Permissible Tolerance in Production Volumes Allowed for Oil Wells; Rule 400-2-5-.10, Permissible Tolerance in Production Volumes Allowed for Gas Wells.

Coalbed Methane Gas Operations—Rule 400-3-1-.05, Definitions; Rule 400-3-2-.01, Well Permit; Rule 400-3-2-.02, Spacing of Wells.

Practice and Procedure—Rule 400-7-1-.11, Notice.

Forced Integration or Forced Pooling—Rule 400-7-2-.01, Forced Integration or Forced Pooling.

The jurisdiction and authority of the Board are set forth in the Alabama Oil and Gas Conservation statutes, Sections 9-17-1, et seq. of the Code of Alabama (1975), as amended.

BOARD ACTION: Granted 6-18-10.

ORDER NO. 2010-67

17. DOCKET NO. 3-23-10-21

Continued MOTION BY THE STATE OIL AND GAS BOARD OF ALABAMA to amend Rule 400-1-2-.05 of the State Oil and Gas Board of Alabama Administrative Code relating to change of operator to provide that within 60 days of the effective date of any agreement causing a change of operator, the new operator must submit the Application for Change of Operator. Further, under the proposed rule, the new operator shall attest that it has ownership or control of one hundred percent (100%) of the rights to drill and produce in the unit. Further, under the proposed rule, the Board may delay the time period for filing the application for an additional period of time. The State Oil and Gas Board of Alabama was established pursuant to Alabama Oil and Gas Conservation Laws as set forth in the Section 9-17-1 et seq. of the Code of Alabama (1975).

BOARD ACTION: Continued 6-18-10.